

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SYRRX, INC., :
 :
Plaintiff, : Civil Action No. 02-321-JJF
 :
v. :
 :
OCULUS PHARMACEUTICALS, INC., :
 :
Defendant. :

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Wilmington, Delaware.

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Attorneys for Defendant.

MEMORANDUM OPINION

August 9, 2002
Wilmington, Delaware.

FARNAN, District Judge.

Presently before the Court is a Motion To Dismiss (D.I. 10) filed by Defendant Oculus Pharmaceuticals, Inc ("Oculus"). For the reasons discussed, the motion will be denied.

BACKGROUND

On April 30, 2002, Plaintiff Syrrx Inc. ("Syrrx") filed a complaint alleging infringement of United States Patent No. 6,296,673 ("673 Patent"). (D.I. 1). By its Complaint, Syrrx alleges that it is the exclusive licensee of the '673 Patent, which is entitled "Methods and Apparatus for Performing Array Microcrystallizations." (D.I. 1 at ¶ 5). As its sole claim, the Complaint alleges that, in violation of 35 U.S.C. § 271(b), Oculus actively induced the University of Alabama Birmingham ("UAB") to infringe the '673 Patent by inducing UAB to "perform the invention pursuant to a sponsored research agreement to identify protein structures and potential drug candidate ligands that bind these protein structures." (D.I. 1 at ¶ 6). In lieu of an answer, Oculus filed the instant Motion To Dismiss. By its motion, Oculus contends that it cannot be liable for inducement of infringement because such a claim requires proof of direct infringement on the part of UAB, and UAB cannot be sued for direct infringement in federal court under the doctrine of sovereign immunity.

STANDARD OF REVIEW

Pursuant to Federal Rule of Civil Procedure 12(b)(6), the Court may dismiss a complaint for failure to state a claim upon which

relief may be granted. Fed. R. Civ. P. 12(b)(6). The purpose of a motion to dismiss is to test the sufficiency of a complaint, not to resolve disputed facts or decide the merits of the case. Kost v. Kozakiewicz, 1 F.3d 176, 183 (3d Cir. 1993). When considering a motion to dismiss, a court must accept as true all allegations in the complaint and must draw all reasonable factual inferences in the light most favorable to the plaintiff. Neitzke v. Williams, 490 U.S. 319, 326 (1989); Piecknick v. Pennsylvania, 36 F.3d 1250, 1255 (3d Cir. 1994). The Court is "not required to accept legal conclusions either alleged or inferred from the pleaded facts." Kost, 1 F.3d at 183. Dismissal is only appropriate when "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claims which would entitle him to relief." Conley v. Gibson, 355 U.S. 41, 45 (1957). The burden of demonstrating that the plaintiff has failed to state a claim upon which relief may be granted rests on the movant. Young v. West Coast Industrial Relations Assoc., Inc., 763 F. Supp. 64, 67 (D. Del. 1991) (citations omitted).

DISCUSSION

As previously discussed, Syrrx alleges that, in violation of 35 U.S.C. § 271(b), Oculus actively induced UAB, an instrumentality of the State of Alabama, to infringe the '673 Patent. (D.I. 1 at ¶ 6). Section 271(b) provides that "whoever actively induces infringement of a patent shall be liable as an infringer." 35 U.S.C. § 271 (b) (2001). It is well settled that there can be neither inducement of infringement nor contributory infringement in the absence of direct

infringement. FMC Corp. v. Up-Right, Inc., 21 F.3d 1073 (Fed. Cir. 1994); see also Robert L. Harmon, Patents and the Federal Circuit, 378-80 (5th ed. 2001). Therefore, a claim for inducement of infringement is dependant upon proof of direct infringement. Epcon Gas Systems, Inc. v. Bauer Compressors, Inc., 279 F.3d 1022, 1033 (Fed. Cir. 2002). For Syrrx's inducement of infringement claim against Oculus to be successful, Syrrx must first prove that UAB directly infringes the '673 Patent.

Oculus contends that because Syrrx is barred by the Eleventh Amendment to the United States Constitution, from suing UAB in federal court for direct infringement, Syrrx cannot establish the prerequisite of direct infringement so as to prove its claim of inducement of infringement against Oculus. The Eleventh Amendment provides that:

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or Citizens or Subjects of any Foreign State.

U.S. Const. amend XI. More than a century ago, the United States Supreme Court first held that, under the Eleventh Amendment, each State is a sovereign entity in the federal system and that "it is inherent in the nature of sovereignty not to be amenable to the suit of an individual without its consent." Hans v. Louisiana, 134 U.S. 1, 13 (1890); see also Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank, 527 U.S. 627, 634 (1999). Further, the scope of the Eleventh Amendment extends to an arm or instrumentality of a State, in addition to the State itself. Mt.

Healthy City Sch. Dist. Bd. of Educ. v. Doyle, 429 U.S. 274, 280 (1977).

In Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank, the Supreme Court examined the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), 35 U.S.C. §§ 271(h), 296(a), legislation with which Congress sought to abrogate States' sovereign immunity with respect to patent infringement actions. 527 U.S. 627, 631-33 (1999). Pursuant to the Patent Remedy Act, Congress authorized any private party to bring a suit in federal court against a State and/or their instrumentalities to enforce patent rights. Id. The Florida Prepaid Court struck the provisions subjecting States and their instrumentalities to suits in federal court for patent infringement as unconstitutional, holding that Congress did not have the authority to validly abrogate the States' sovereign immunity with respect to patent infringement actions. Id. It is clear that Florida Prepaid establishes that the Eleventh Amendment bars a nonconsensual action against a State and/or their instrumentalities in federal court for direct patent infringement. However, the question remains whether an action can be brought against a non-state party for inducing a State and/or their instrumentalities to infringe a patent or is such a lawsuit barred in federal court because the State instrumentality cannot itself be subject to suit for direct infringement.

By its motion, Oculus contends that Syrrx's claim for inducement of infringement under 35 U.S.C. § 271(b) must be dismissed because

UAB cannot be sued in federal court to determine if it directly infringes the '673 Patent under the Florida Prepaid precedent, thereby negating the necessary prerequisite to an inducement of infringement claim. (D.I. 11 at 3-9). In opposition, Syrrx contends that sovereign immunity under the Eleventh Amendment does not extend immunity to private parties that infringe a valid patent by inducing a State entity to commit infringing acts. (D.I. 18 at 5). Syrrx further contends that its suit is appropriate because the Eleventh Amendment does not bar suits in federal courts against State officials for injunctive relief. (D.I. 18 at 6-8).¹

The Court understands Florida Prepaid to hold that States cannot be sued in federal court for patent infringement because Congress did not have the legislative authority to validly abrogate the States' Eleventh Amendment sovereign immunity with the Patent Remedy Act. The Court does not read Florida Prepaid to hold that States cannot infringe patents or cannot be found to infringe patents in a federal court lawsuit to which the State is not a party. In sum, the Court understands the holding in Florida Prepaid to bar patent infringement lawsuits against States in federal court, but to have no effect on patent litigation between two private parties.² Therefore, a jury or

¹Because the Court will deny the motion to dismiss based on its interpretation of the Florida Prepaid decision, the Court need not address whether the Eleventh Amendment and Florida Prepaid bar suits against States in federal court that seek only injunctive relief.

²The Court also reads Florida Prepaid and its interpretation of the Eleventh Amendment not to bar a private party from instituting a patent infringement action against a State and/or

a court may find the required direct infringement on the part of a non-party State and/or their instrumentalities upon which to predicate a finding of inducement of infringement against a private party. Therefore, in the instant case, the Court concludes that sovereign immunity under the Eleventh Amendment does not bar the inducement of infringement claim brought by Syrrx against Oculus.

CONCLUSION

For the reasons discussed, the Court will deny the motion to dismiss.

An appropriate Order will be entered.

their instrumentalities in state court. Therefore, it is conceivable for a State and/or their instrumentalities to be found to directly infringe a valid patent and owe damages in litigation brought in a state court.

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O R D E R

For the reasons discussed in the Memorandum Opinion issued with this Order, IT IS HEREBY ORDERED this 9th day of August 2002, that the Motion To Dismiss (D.I. 10) filed by Defendant Oculus Pharmaceuticals, Inc. is **DENIED**.

Joseph J. Farnan, Jr.
UNITED STATES DISTRICT JUDGE